

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

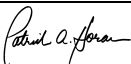
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Marquette County Medical Care Facility

**Financial Report
with Additional Information
December 31, 2006**

Marquette County Medical Care Facility

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Independent Auditor's Report

To the Marquette County Department
of Human Services Board
Marquette County Medical Care Facility

We have audited the accompanying balance sheet of Marquette County Medical Care Facility as of December 31, 2006 and 2005 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marquette County Medical Care Facility at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

January 31, 2007

Marquette County Medical Care Facility

Balance Sheet

	December 31, 2006	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,313,528	\$ 2,487,937
Resident accounts receivable (Note 3)	1,445,034	967,984
Other current assets	202,004	195,517
Total current assets	4,960,566	3,651,438
Assets Limited as to Use (Note 2)	2,122,462	2,031,335
Property and Equipment (Note 4)	4,675,298	4,919,113
Total assets	\$ 11,758,326	\$ 10,601,886
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 428,083	\$ 152,954
Patient trust liability	7,052	5,417
Estimated third-party payor settlements	-	186,911
Accrued liabilities and other:		
Accrued compensation and related liabilities	162,136	143,181
Accrued compensated absences	523,862	497,207
Total current liabilities	1,121,133	985,670
Net Assets		
Invested in capital assets	4,675,298	4,919,113
Unrestricted	5,961,895	4,697,103
Total net assets	10,637,193	9,616,216
Total liabilities and net assets	\$ 11,758,326	\$ 10,601,886

Marquette County Medical Care Facility

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2006	2005
Operating Revenue		
Net service revenue	\$ 9,984,427	\$ 8,863,383
Other operating revenue	37,501	42,828
Proportionate share reimbursement	241,050	269,407
Quality assurance supplement	1,648,965	-
Total operating revenue	11,911,943	9,175,618
Operating Expenses		
Salaries	5,789,610	5,685,524
Other expenses	5,496,911	3,926,639
Total operating expenses	11,286,521	9,612,163
Operating Income (Loss)	625,422	(436,545)
Other Income - Interest income	95,555	62,007
Excess of Revenue Over (Under) Expenses	720,977	(374,538)
Contribution from Other County Funds	300,000	300,000
Increase (Decrease) in Net Assets	1,020,977	(74,538)
Net Assets - Beginning of year	9,616,216	9,690,754
Net Assets - End of year	<u><u>\$ 10,637,193</u></u>	<u><u>\$ 9,616,216</u></u>

Marquette County Medical Care Facility

Statement of Cash Flows

	Year Ended	
	December 31, 2006	December 31, 2005
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 9,304,858	\$ 9,227,281
Cash paid to employees and suppliers	(9,495,579)	(9,108,770)
Cash received from proportionate share program	241,050	224,985
Cash received from quality assurance supplement	1,648,965	-
Other operating receipts	37,501	42,828
Provider tax payment	(1,010,664)	-
Net cash provided by operating activities	726,131	386,324
Cash Flows from Noncapital Financing Activities		
Resident trust deposits	1,635	1,083
Contribution from County	300,000	300,000
Net cash provided by noncapital financing activities	301,635	301,083
Cash Flows from Investing Activities - Interest received	95,555	62,007
Cash Flows from Capital and Related Financing Activities -		
Purchase of property and equipment	(206,603)	(83,606)
Net Increase in Cash and Cash Equivalents	916,718	665,808
Cash and Cash Equivalents - Beginning of year	4,519,272	3,853,464
Cash and Cash Equivalents - End of year	<u><u>\$ 5,435,990</u></u>	<u><u>\$ 4,519,272</u></u>
Balance Sheet Classification of Cash		
Current assets	\$ 3,313,528	\$ 2,487,937
Assets limited as to use	2,122,462	2,031,335
Total cash	<u><u>\$ 5,435,990</u></u>	<u><u>\$ 4,519,272</u></u>

Marquette County Medical Care Facility

Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2006	December 31, 2005
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 625,422	\$ (436,545)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	450,418	448,319
Provision for bad debts	45,000	1,769
Changes in assets and liabilities:		
Decrease (increase) in resident accounts receivable	(522,050)	175,216
Decrease (increase) in other current assets	(6,487)	25,515
Increase in accounts payable	275,129	33,524
Increase (decrease) in other accrued expenses	45,610	(3,963)
(Decrease) increase in third-party settlement payables	(186,911)	186,911
Decrease in deferred revenue	-	(44,422)
Net cash provided by operating activities	<u>\$ 726,131</u>	<u>\$ 386,324</u>

There were no significant noncash investing, capital, or financing activities for 2006 and 2005.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies

Marquette County Medical Care Facility (the "Facility") is a component unit of the County of Marquette (the "County"). Its financial statements are included in the County's basic financial statements.

Marquette County Medical Care Facility is a 140-bed, long-term care facility owned and operated by Marquette County. It is governed by the Marquette County Department of Human Services Board. This board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Enterprise Fund Accounting - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Basis for Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Assets Limited as to Use - Assets limited as to use include designated assets set aside by the board of trustees for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.

Property and Equipment - Property and equipment amounts are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Compensated Absences - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Resident Funds - The Facility maintains various bank accounts for deposits and disbursements for the residents' personal expenses. These funds are assets of the residents.

Proportionate Share Reimbursement Program - During the years ended December 31, 2006 and 2005, the Facility participated in this program sponsored by the State of Michigan. Amounts received from this program were recorded to revenue in the year received.

Quality Assurance Assessment Program - The Facility's Medicaid revenue has been partially funded by a program called Quality Assurance Assessment Program (QAAP). The current QAAP program was approved by the federal government during 2006 and was made effective retroactive to October 1, 2005. During the year ended December 31, 2006, the Facility received Medicaid revenues related to QAAP totaling \$1,648,965, of which \$325,149 related to the retroactive period of October 1, 2005 through December 31, 2005. During the year ended December 31, 2006, the Facility was assessed a "provider tax" totaling \$1,010,664, of which \$199,890 related to the retroactive period of October 1, 2005 through December 31, 2005. This provider tax is based on the number of non-Medicare resident days of service provided during the year ended December 31, 2004. The State bills for the tax on a quarterly basis due on the fifth day following the end of a quarter. Therefore, approximately \$211,100 of provider tax was due and is included in accounts payable at December 31, 2006.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Facility are classified into two components. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and reduced by the current balance of any outstanding borrowing used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted.

Service Revenue - The Facility's principal activity is operating a long-term health care facility for the elderly. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private-pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors, and make up a significant portion of revenue earned during each year as follows:

	Percent	
	2006	2005
Medicaid	78	80
Medicare	11	6

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid reimburses the Facility for resident routine service costs, on a per diem basis, prospectively determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Operating Revenues and Expenses - The Facility's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

Note 2 - Deposits and Investments

The Facility's deposits and investments are composed of the following:

	2006		2005	
	Cash and Cash Equivalents	Assets Limited as to Use	Cash and Cash Equivalents	Assets Limited as to Use
Deposits:				
County Treasurer	\$ 2,916,445	\$ 2,122,462	\$ 1,319,936	\$ 2,031,335
Bank	397,083	-	1,168,001	-
Total	<u>\$ 3,313,528</u>	<u>\$ 2,122,462</u>	<u>\$ 2,487,937</u>	<u>\$ 2,031,335</u>

These funds were under the control of the County Treasurer, who deposited these funds with a bank.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The deposits and investments are subject to several types of risks, including custodial credit risk of bank deposits and investments, interest rate risk, credit risk, and concentration of credit risk. It is impractical to determine the amount of risk associated with the Facility funds as these funds are only a portion of the total County deposits.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2006	2005
Resident accounts receivable	\$ 1,433,645	\$ 950,265
Uncollectible accounts	(100,000)	(55,000)
Medicaid interim payment receivable	111,389	72,719
Net resident accounts receivable	<u>\$ 1,445,034</u>	<u>\$ 967,984</u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	Percent	
	2006	2005
Medicare	22	8
Medicaid	59	63
Other payors	19	29
Total	<u>100</u>	<u>100</u>

Note 4 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2006 are summarized below:

	2005	Additions	Transfers	Retirements	2006	Depreciable Life - Years
Land and land improvements	\$ 276,387	\$ -	\$ -	\$ -	\$ 276,387	10-25
Building	9,497,655	62,911	-	-	9,560,566	10-40
Moveable equipment	1,585,007	143,692	-	-	1,728,699	4-20
Total	11,359,049	206,603	-	-	11,565,652	
Less accumulated depreciation:						
Land and land improvements	243,832	8,792	-	-	252,624	
Building	4,960,248	357,958	-	-	5,318,206	
Equipment	1,235,856	83,668	-	-	1,319,524	
Total	6,439,936	450,418	-	-	6,890,354	
Net carrying amount	<u>\$ 4,919,113</u>	<u>\$ (243,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,675,298</u>	

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 4 - Property and Equipment (Continued)

Cost of capital assets and related depreciable lives for December 31, 2005 are summarized below:

	2004	Additions	Transfers	Retirements	2005	Depreciable Life - Years
Land and land improvements	\$ 276,387	\$ -	\$ -	\$ -	\$ 276,387	10-25
Building	9,448,009	49,646	-	-	9,497,655	10-40
Movable equipment	1,551,047	33,960	-	-	1,585,007	4-20
Total	11,275,443	83,606	-	-	11,359,049	
Less accumulated depreciation:						
Land and land improvements	234,950	8,882	-	-	243,832	
Building	4,610,382	349,866	-	-	4,960,248	
Movable equipment	1,146,285	89,571	-	-	1,235,856	
Total	5,991,617	448,319	-	-	6,439,936	
Net carrying amount	<u>\$ 5,283,826</u>	<u>\$ (364,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,919,113</u>	

Note 5 - Related Party

As discussed in Note 1, the Facility is related to the County of Marquette.

During the fiscal years ended December 31, 2006 and 2005, the County transferred \$300,000 to the Facility.

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the State bills the County, at a per diem rate, for each Medicaid patient day at the Facility. Expenses relating to M.O.E. are not included in these financial statements as they are paid directly by the County.

Note 6 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for workers' compensation claims, and participates in the County's insurance plan with the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to general (including malpractice) and auto liability, auto physical damage, and property loss claims.

Marquette County Medical Care Facility

Notes to Financial Statements December 31, 2006 and 2005

Note 6 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

Note 7 - Retirement Benefits

As discussed in Note 1, the Facility is a component unit of Marquette County. Marquette County, including the Facility, participates in the Michigan Municipal Employees' Retirement System (the "System"). The Michigan Municipal Employees' Retirement System is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. This information can be requested by writing to: Marquette County, County Building, 234 West Baraga Avenue, Marquette, MI 49855.

The obligation to contribute to and maintain the System for these employees was established by negotiations with the County's competitive bargaining units and requires a contribution from the employee of 4.7 percent of annual compensation. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 10 years.

Facility contributions for the plan years ended December 31, 2006, 2005, and 2004 were \$438,767, \$323,618, and \$351,875, respectively.

Additional Information



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To the Marquette County Department
of Human Services Board
Marquette County Medical Care Facility

We have audited the financial statements of Marquette County Medical Care Facility as of December 31, 2006 and 2005. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 31, 2007

Marquette County Medical Care Facility

Schedule of Net Service Revenue

	Year Ended December 31	
	2006	2005
Skilled Nursing Services		
Daily net room revenue:		
Medicaid	\$ 9,842,595	\$ 8,297,007
Medicare	526,317	322,198
Private pay and other	1,208,850	1,309,122
Total daily net room revenue	11,577,762	9,928,327
Ancillary revenue:		
Pharmacy	119,595	97,445
Therapy services	610,429	165,118
Other ancillary services	155,398	132,952
Outpatient services	1,620	1,470
Total ancillary revenue	887,042	396,985
Total skilled nursing services revenue	12,464,804	10,325,312
Revenue deductions - Provision for contractual discounts	(2,435,377)	(1,461,929)
Bad debt expense	(45,000)	-
Net Service Revenue	\$ 9,984,427	\$ 8,863,383

Marquette County Medical Care Facility

Schedule of Operating Expenses

	Year Ended December 31			
	2006			2005
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 2,016,939	\$ 2,016,939	\$ 1,817,099
Administration	242,411	234,409	476,820	487,310
Plant operations	205,743	100,816	306,559	284,605
Utilities	-	361,802	361,802	343,530
Laundry	132,809	27,718	160,527	167,141
Housekeeping	322,431	15,436	337,867	335,735
Dietary	463,691	396,839	860,530	817,507
Medical records	-	25,326	25,326	30,798
Social services	74,316	-	74,316	92,708
Diversional therapy	196,079	10,454	206,533	195,134
Other ancillary services	12,766	44,655	57,421	47,832
Therapy services	195,582	357,638	553,220	291,469
Pharmacy	-	122,901	122,901	107,629
Nursing	3,943,782	320,896	4,264,678	4,145,347
Provider tax	-	1,010,664	1,010,664	-
Depreciation and amortization	-	450,418	450,418	448,319
2006 total	<u>\$ 5,789,610</u>	<u>\$ 5,496,911</u>	<u>\$ 11,286,521</u>	
2005 total	<u>\$ 5,685,524</u>	<u>\$ 3,926,639</u>		<u>\$ 9,612,163</u>



January 31, 2007

To the Department of Human Services Board
Marquette County Medical Care Facility
Ishpeming, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Marquette County MCF (the "Facility") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Facility's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Facility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

During the audit process, several adjustments were recommended to management and made to adjust various general ledger balances as of December 31, 2006.

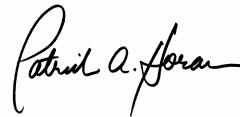
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

The administrator/controller is responsible for posting all manual journal entries and preparing bank reconciliations. Neither the journal entries nor the bank reconciliations are reviewed by anyone. These duties should be performed by different employees in order to ensure proper segregation of duties; however, at a minimum, the manual journal entries and bank reconciliations should be reviewed by someone if the administrator continues to perform both functions. Segregating the posting of journal entries function from the bank reconciliation function will help prevent misstatements; whereas implementing the review of these functions could help in the detection of misstatements.

In addition to the lack of segregation of duties noted, there are three cash accounts that are in the name of the Facility, as opposed to in the name of the County, as mandated by state regulations. Therefore, the administrator possesses additional control over cash that should be in the County's control. Considering the amount of control the administrator currently possesses over the recording of cash and the state requirements, we recommend the Facility move these three cash accounts to the County's control.

This communication is intended solely for the information and use of management, the Department of Human Services Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Patrick A. Horan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Patrick A. Horan, CPA
Partner